

STATEMENT

22

OF THE

CANAL COMMISSIONERS,

RELATIVE TO THE

PASSENGER TRAVEL

OVER THE

PHILADELPHIA AND COLUMBIA RAILROAD.



HARRISBURG.

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1852.

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STATEMENT.

CANAL COMMISSIONERS' OFFICE, }
Harrisburg, July 23d, 1852. }

The President laid before the Board a statement in reference to the various mis-statements which have been made in relation to the arrangement adopted for the conveyance of passengers over the Philadelphia and Columbia Road.

Which was read, approved, signed by each member, and directed to be published.

Extract from the Journal.

THOMAS L. WILSON,
Secretary.

The Contract for Carrying Passengers over the Philadelphia and Columbia Rail Road.

The Board of Canal Commissioners having had under consideration, for more than a year, the question of the propriety, and the expediency, of assuming the control of the passenger travel over the Philadelphia and Columbia Rail Road, unanimously determined, on the 19th of May, in favor of the measure. To enable them to carry out the arrangement, fully and effectually, and with a view to the best interests of the Commonwealth, they entered into a contract with Messrs. BINGHAM & DOCK (an old and well known transporting house) to furnish the cars, and to superintend the transportation, without any control over the fare to be received. For this service, they are to be paid a stipulated price per passenger per mile.

An attempt has been made to mislead the public mind in relation to the course of the Board, by the insertion of numerous anonymous communications in the columns of the press of Philadelphia, several of which it is now acknowledged were paid for either by the Pennsylvania Rail Road Company, or by its officers. To these misstatements, coming before the people of the State in the manner in which they did, no official reply could have been expected; and it was not until after the appearance of the authorized publications of the

President and Board of Directors of the Company, that it was deemed proper to anticipate the Annual Report to the Legislature, and to place the facts connected with the question at issue before the tax-payers of Pennsylvania, to whom strong appeals have been made to join in denouncing the action of the Board.

The objections which have been urged against the Contract, entered into for the purpose of enabling the Board to carry out the measure which they had adopted, may be summed up as follows:

1. That no public notice was given to invite competition, either to the Pennsylvania Rail Road or to others.
2. That it does injustice to that Company, and evinces a hostility to its interests.
3. That it drives off competition, and creates a monopoly.
4. That it is a lease of the Road to individuals.
5. That the Canal Commissioners exceeded their legal powers in employing persons to carry the passengers.
6. That the arrangement will result in a loss to the revenues of the Commonwealth.

These objections will be noticed in their order as briefly as is consistent with the subject.

1. It is true that no public notice was given inviting proposals for the performance of the service to be required. That course the Board were fully convinced, after mature deliberation, would neither subserve the comfort of travellers, nor the interests of the Commonwealth. If proposals had been invited, the Board would have been compelled either to give the preference to the lowest bidder, without any reference to his business qualification to discharge an important public duty, or, by allotting it to a bidder at a fair price, to have incurred the obliquy which is now attempted to be cast upon them by the officers of the Pennsylvania Rail Road Company and their adherents. The lowest bidder system has never worked well upon the Public Improvements. Whenever it has been

adopted, it has almost invariably resulted in loss to the Commonwealth, by the abandonment of the work, after the best portion of it has been done—by the indisposition of the Legislature to refuse the payment of the per centage retained to ensure a fulfilment of the contract—and by the consequent necessity of re-letting the unfinished portion of the job, at prices much higher than would have been originally required, keeping in view the relative cost of each item. If this be so in regard to the construction of Canals or Rail Roads, where delays are not always productive of great inconvenience, it furnishes strong reasons against applying the system to the carrying of passengers over a great thoroughfare, where incapacity, or an abandonment of the contract, would be productive of a great loss of revenue, by interrupting the travel, and driving it to other routes. True economy dictates, especially in a case like this, that, to secure a prompt and faithful performance of the service required, a fair remuneration should be given. The price to be paid to BINGHAM & DICK does not go beyond that standard. They are compelled to invest a large capital in a depot and the purchase of cars, and the compensation to be received will not be considered, by men acquainted with the business, as too high for the risk to be run, and the duty to be performed.

But, although no public notice was given, the fact that the Board had the subject under consideration, was well known to the President and Superintendent of the Pennsylvania Rail Road, and to several gentlemen of well known business capacity, who were desirous of obtaining the contract. The President of the Company acknowledged, in February last, that he had been informed, that the State proposed to assume the carrying of the passengers over the road: and in reply to his inquiry, he was distinctly told by one of the Commissioners, that several propositions relating to the passenger business were before the Board, including one from his own company. On another occasion, when an officer of the company was before the Board in relation to passenger tolls, he was informed that the Board had offers to carry passengers at five mills per mile. His reply was, that "no responsible person would do it for that price." At the meeting held in Philadelphia in May last, at which the present arrangement was consummated, a proposition was received from the Pennsylvania Rail Road Company, to reduce the tolls to two cents, and giving to the Company the privilege of charging two cents and six mills per mile. When the Superintendent laid this proposition before the Board, he was asked if the Company could not put the fare lower at the proposed

rate of toll. He replied that they could not.—He was then informed that the Board could get the passengers carried on better terms. In a subsequent conversation, the same officer was distinctly told by a member of the Board, that that was his last chance, and that it was necessary that he should reduce his proposition to the lowest figure. The first proposition was accordingly withdrawn, and another substituted, reducing the rate of fare to two cents and five and a half mills per mile.—When asked if this was the lowest offer, he replied that it was. On the day after this transaction, the Superintendent acknowledged that he was aware of the nature of the business before the Board.—It will thus be seen that both of the officers of the Company, who transacted their business with the Canal Department, knew that the subject had been for some time under consideration. If they failed to communicate so important a fact to their Company, it was a dereliction of duty for which the Canal Commissioners cannot be held responsible. Should the Directors require further proof on this point, it will be furnished at any moment.

2. What injustice is done to the Pennsylvania Rail Road Company by the new arrangement?—Their pecuniary interests will not be injured by it, for they acknowledge that the passenger business over the Philadelphia and Columbia Rail Road has not been profitable. During the last spring, their Superintendent laid before the Board an abstract of their passenger receipts and expenditures over that road, which showed an actual loss. About the same period, the present President of the Company, in reference to an intimation that some change was about to take place in carrying the passengers, wrote that "If we could have a guarantee that the work would be performed satisfactorily, it would be a matter of indifference to us who done it, as it has not proved profitable."—Where then is the injustice? They have lost money by carrying the passengers over the State Road. The Board have adopted a mode of conveyance by which the Company cannot possibly lose on their passengers carried over that road.—If no injury, as has been shown, can result to their pecuniary interests, where, then, are we to look for it? Not to any apprehended obstructions to be thrown in the way of a prompt despatch of the passengers intended for their own road. Any such apprehension would be preposterous. It is not only the positive duty, but it is the settled design of the Canal Board, to afford every possible comfort and accommodation to passengers going to points westward of the State road, and to facilitate their speedy transportation by every possible means. If that design should not be fully carried

, it can only result from obstructions thrown in way by the Pennsylvania Rail Road Company. Advances have been made to their President to argue this part of the business, but so far those advances have been treated with neglect. But, it is said, that the Company purchased the cars of the old Eagle Line, and hence an injury will be sustained. To this there is a very simple and satisfactory reply, and that is, that Messrs. BINGHAM DOCK made an offer to the Company to purchase, on fair terms, their cars running on the road, which offer was not accepted. If, therefore, they sustain loss from this cause, the fault is theirs alone.

The allegation that on this, or on any other occasion, the Board were actuated by feelings of hostility to the Pennsylvania Rail Road Company, is devoid of the shadow of a foundation. Every favor, every facility, which they had a right to expect, has been granted to them. Some demands have been made and refused. If these demands had been acceded to, the Board would have been recreant to the trust reposed in them by the people, by allowing the revenues which should flow into the Treasury of the Commonwealth, to be diverted into the coffers of a private corporation.—On all occasions their applications have been considered with a disposition to mete out full justice to them, and, in no instance, has any proper or expected courtesy been withheld. The Board would fain stop here, and draw a curtain over the opposite picture. But the improper manner in which this subject has been dragged into public notice, demands that the whole truth should be told. So far from their friendly disposition having been met in a corresponding spirit, the Board have been treated, in their business intercourse, with duplicity and arrogance by the present President and Superintendent of the Company. The former is an avowed and open opponent of the avoidance of the Inclined Planes on the Allegheny Portage Rail Road—an improvement which every disinterested and candid mind admits is of vital importance to the future interests of the Commonwealth.—Whether his opposition to that improvement arises from the fact, that the State Road will present a line superior in curvature and grade, to that of which he has charge—or from a desire to prevent its construction, and thereby to cause the through trade to be withdrawn from the State works, and thrown upon his own road, is a matter of no great moment. If from the former, he should remember that the line was open to both parties—but, in one case, there was no Altoona to build up. If from the latter, it is only another evidence of the rapacity of officers of corporations, when their in-

terests conflict with those of the people at large.—Another instance of the manner in which the desire of the Board, to accommodate the Company was met, must suffice. At the earnest solicitation of the Company, the Board kept the Allegheny Portage Rail Road open for transportation, during the suspension of Navigation, on the Canal last season, at a loss of \$32,000. This loss resulted, for the greater part, from the action of the Company, who, after having had the advantage of the Winter transportation over the Portage road extended to them, turned round and refused the transporters doing business over the State works, the privilege of transporting goods over their road, at a fair price. The consequence was—that the freights of these transporters between Philadelphia and Pittsburg, were sent by the way of Baltimore, and by the Baltimore and Ohio Rail Road. The loss of revenue, in the shape of tolls, over the Philadelphia and Columbia and the Allegheny Portage Rail Roads, by this unwise and illiberal course of the Pennsylvania Rail Road Company, amounted to about \$25,000.

These facts go to show that there was cause for hostility, but that any such feeling ever controlled the action of the Board, is totally unfounded.—The last annual report of the President and Directors effectually discredits any such allegation. The Board do not view the Pennsylvania Railroad, if its affairs are managed in a liberal and enlightened spirit, as a rival of the State improvements, and they are always ready to afford to it all facilities not deemed detrimental to the interests of the Canals and Railroads under their charge.

3. It is a fact well known to every one in the least conversant with the transportation of passengers over the Philadelphia and Columbia Railroad, that competition has not existed, nor never can exist in that business, for any length of time.—The parties having the carrying of the mails, possess advantages which enable them to drive off, or buy out all competitors, and the practical effect is, that one party monopolizes the carrying trade. The arrangement of the Board does not change the result. If, as some persons who are interested in the continuance of the old system, contend, the Commonwealth has no right to derive the largest revenues that she can, from her own works, still, in this matter, she will only assume the position heretofore occupied by an association of a few individuals, or by a chartered company.—Passenger transportation over this road has always been, in effect, a monopoly. The charge therefore, that the Board are about to create such a monopoly may answer very well for the use of political

partizans; but, when the travelling public and the tax-payers come to fully understand, the one that the measure adopted will reduce the fare and add to their comforts and facilities in their transit over the road; and the other, that much of the profits that have heretofore gone into the pockets of a few, will hereafter enure to the benefit of the public Treasury, they will regard that charge as a phrenzied effort to put down, by the use of elap-traps, a measure founded on reason, and justified by the public exigencies.

4. The allegation that the contract with Messrs. BINGHAM & DOCK is a lease of the road to those gentlemen, is not sustained, either by the facts of the case, or by the terms of the instrument. The Commonwealth has assumed the entire control over the conveyance of passengers. Instead of purchasing stock, and appointing numerous additional officers, she has contracted with Messrs. BINGHAM & DOCK to furnish cars, passenger depot, and superintend the transportation. For the performance of this specific service, they are to receive a specific sum per mile on each passenger carried. The quality and number of cars employed, the manner of conducting the business, the arrangement of the hours of arrival and departure, and the fixing of the fare, are all under the direction and control of the Canal Board. It will be seen by a perusal of the copy of the contract annexed, that it is no more a lease of the road, than the appointment of a Collector, or the allotment of a contract for the completion of the North Branch Canal, would be a lease of the Collector's office, or of the Canal.

5. The legality of the action of the Canal Board has been called in question. If the Board understand the constitution, they are bound to regard the law as construed by the Supreme Court, to be paramount to the opinions of the attorneys employed by a private corporation. In December 1842, the then Board of Canal Commissioners entered into a contract with CAMERON & WILSON for the carrying of all the passengers over this same road. The party who had previously, by their pecuniary resources, enjoyed a monopoly of the passenger trade, brought the case by mandamus before the Supreme Court. After a very full and able argument by counsel on both sides, the Court decided that the contract was legal. In their opinion delivered on that occasion, they say, in relation to the contract, that "The State did no more by becoming a party to it, *than farm its right to carry*; and in framing the bargain, it had a right to consult its exclusive interest."—This, then, is the law as laid down by the highest judicial tribunal of the Commonwealth. The

Board have not violated it in a single particular. If they had the right, which the court say they have, to "*farm*" out the carrying of passengers, no sane mind would doubt their right to enter into a contract by which the State becomes herself the carrier; Messrs. BINGHAM & DOCK being merely contractors to perform a specified service. But it is unnecessary to argue the legality of the measure. The Supreme Court has set that question at rest. Nor is the sanction of the Legislature wanting either negatively or positively. At the session of 1843, the subject of the contract with CAMERON & WILSON was referred to a select committee, of the House of Representatives, the majority of which made a report, fully sustaining the action of the Canal Commissioners. The House acquiesced in the conclusions of that report, as no further proceedings were had, which would not have been the case, if there had been any usurpation of power, or infringement upon the rights of individuals. The Allegheny Portage Railroad furnishes another strong case in point.—In 1843, the Canal Commissioners purchased cars without any previous specific appropriation, and assumed the entire business of carrying passengers over that road, and continued to do so until April 24, 1851. The Legislature never called in question the power of the Board to do so. On the contrary, that body repeatedly sanctioned the measure by making appropriations for the payment of the expenses of the passenger service, and for the purchase of cars. This course of policy was continued up to the 24th of April, and the 23d of May, 1851, when a contract was entered into with the Pennsylvania Railroad Company, by which the Commonwealth relinquished the right to carry the passengers, and sold their stock of cars to that Company, which is now enjoying, without one word of complaint from their Board of directors, or from any other quarter, the exclusive right to carry passengers over that road. These contracts are subjoined. There is no substantial difference between them and that with BINGHAM & DOCK, so far as relates to the carrying of passengers. The Board, under the circumstances of the purchase of the State cars, would have felt it to be their duty to protect the Pennsylvania Railroad Company, from any interference in that portion of the carrying trade over the Portage Railroad. As these facts are matters of public record, it seems somewhat strange, that the Board should have been subjected to the strictures of the Pennsylvania Railroad Company, and its officers, attorneys, and adherents.

6. So far from the arrangement being productive of loss to the Commonwealth, it will increase

the public revenue. Drawbacks are now allowed to the Pennsylvania Railroad Company on Pittsburg, Harrisburg and Baltimore passengers.—Those for Pittsburg and Harrisburg now diverge from the State road at Dillerville. Hereafter they will be taken to Columbia—making a difference in travel of 11 miles, and a gain to the Commonwealth of 22 cents on each passenger. Taking the business of last year as a criterion, these drawbacks (which will hereafter be saved) and the 22 cents per passenger for the additional 11 miles, amount to \$23,281, which sum will be a gain to the Treasury by the adoption of the new arrangement. In this calculation no allowance is made for an increase of travel. No one can doubt that that increase will be very large when the lines of Railroads leading from the west to Pittsburg shall have been completed. Some idea may thus be formed of the advantages the State will derive from the carrying of passengers over the Philadelphia and Columbia Railroad, when the fact is taken into consideration that she will gain 49 cents on each Pittsburg passenger, and 30 cents on each passenger for Harrisburg and points west thereof, and east of Pittsburg, which now go into the treasury of the Pennsylvania Railroad Company. The contract with Messrs. BINGHAM & DOCK is for four years. During that period, the gain to the State, on the business of the last year alone will amount to \$93,124. The increase in travel on the State road, in 1851 over 1850, was 22 per cent. It is, therefore, fair to presume that the annual increase for the next four years will be 20 per cent. At this rate of increase, the Commonwealth will gain by the adoption of the new system, during the continuance of the contract, the sum of \$150,000. In the present state of the public finances, the Board surely need offer no apology for acting upon the belief that this large sum should justly enure to the Treasury of the people, and not be permitted to swell the receipts of a private corporation.

The allegation that the loss will accrue by the change in the item of emigrant tolls, stands on the same footing with the numerous other misrepresentations with which the public ear has been abused. The Board have under consideration a proposition for a more equal distribution of the fare received from emigrant travel than now exists, by which the revenue from that source will be increased. But, if no change should take place in this particular, the tolls received by the State on these emigrants will be exactly the same under the new system as under the old—the parties transporting them after they leave the State road, being charged with the cost of carriage over that road.

In a previous portion of this statement, it has been shown that the officers of the Pennsylvania Railroad have asserted that that company made no profit from carrying passengers over the State road. Messrs. BINGHAM & DOCK are to receive five mills per mile on each passenger, as compensation in full for the whole service to be performed by them, with the exception of the conveyance of the mail. The Pennsylvania Railroad Company are permitted to charge 25½ mills per mile on each passenger. After the payment of State tolls, (drawbacks deducted) they have the following amounts left for profits and transportation expenses:—

On Pittsburg passengers,	9 3-10 mills per mile.
On Harrisburg passengers,	6 6-10 " "
On Baltimore passengers,	11½ " "
On way passengers,	5½ " "

When it is considered that these are the rates received by the Pennsylvania Railroad Company, the compensation to be given by the State to the contractors for the same service as is now rendered by that company, will appear to be extremely low. Besides, the contractors are bound to put on none but the very best cars, and to afford every possible comfort to passengers. They are erecting a splendid depot in Philadelphia, where the passengers will get in and out of the cars under cover, instead of being taken up or put down, as was the case before this contract was entered into, in an open public street, exposed to the inclemency of the weather. The officers of the company have asserted that this service could not be performed for five mills, and that no responsible persons could be found to do it at that price. The contract affords indisputable proof that their judgment is not infallible.

The Board have thus, in as brief manner as the subject would permit, presented a plain statement of all the facts relative to their action in assuming the control of carrying passengers over the State road, and to the several questions which have been made a subject of controversy. They have made no assertion which they are not prepared to prove even in a court of justice. It is with great reluctance that they have made this explanation. But they had no alternative. In the performance of their duties, they found that a portion of the profits from the public improvements, which legitimately belonged to the State Treasury, were diverted into that of a private company. They determined to correct the wrong. They did so with a conscientious conviction of the propriety, the necessity, and the legality of the measure. For this they have been rudely assailed—their judgment ridiculed, and their motives impugned. The columns of the public press have

teemed with false and malicious representations of their action and its effects. Several of these misrepresentations it is now acknowledged, if not actually written by the directors or officers of the Pennsylvania Railroad Company, were paid for, either by the one or the other. But these oft-repeated missiles shall not deter the Board in the discharge of a high public duty. They have adopted a measure which will prove of great advantage to the Treasury of the Commonwealth, and afford increased comforts to travellers taking the Pennsylvania route. To that measure they intend to adhere until some higher authority than its interested assailants shall place a veto upon it.—The Pennsylvania Railroad Company, under the present management, have made up the issue—they have proclaimed, in effect, that their rights over the public improvements are superior to those of the Commonwealth by which they were constructed—that the revenues which should properly be applied to relieve a heavily-burdened tax paying community should go into their own private coffers—and they have appealed to the people to sustain them in their position, and in their denunciations of the Canal Board. Let them abide the result. Conscious that they have acted for the best interests of their constituents, and that the wisdom of the measure which they have adopted will stand the test of the severest scrutiny, the Board will take no further public notice of any statements upon the subject emanating from the officers and directors of the Pennsylvania Railroad Company and their adherents. They have other and higher duties to engage their attention, and, with this statement, they leave the whole matter to the calm and candid consideration of the people of Pennsylvania; with an abiding confidence that the result of that deliberation will not be prejudiced by the artful appeals of officers of a private corporation which is now seeking to destroy the revenues from the public works, by appropriating them to its own use.

JOHN A. GAMBLE,
WM. T. MORISON,
SETH CLOVER,
Canal Commissioners.

N. B. The contracts with MESSRS. BINGHAM & DOCK, and with the Pennsylvania Railroad Company, are hereunto annexed.

Contract with Bingham & Dock.

This article of Agreement entered into this nineteenth day of May, A. D., One Thousand Eight Hundred and fifty-two, between JOHN A. GAMBLE, WILLIAM T. MORISON and SETH CLO-

VER, Canal Commissioners, on behalf of the Commonwealth of Pennsylvania, of the first part; and JOHN BINGHAM, and JACOB DOCK, of Philadelphia, of the second part,

WITNESSETH; That the said party of the second part agree as follows: To carry all the passengers over the Philadelphia and Columbia Rail Road, between Philadelphia and Columbia, and intermediate points, except such passengers as the West Chester Rail Road Company are now permitted to carry, and such marketmen as are carried in market ears, under regulations existing at the date of this agreement.

To carry the United States Mail over said road as often as may be required by the Post Office Department; and carry said mails to and from the several post offices; to and from the cars at the termini, and required points on the line of the road.

To collect the fare on each passenger, as may at any time hereafter be established by the Board of Canal Commissioners, and once in each month, or oftener, if required to pay the same over, (deducting the sum hereinafter allowed them for carrying said passengers) to the collectors at the offices at which tolls on passengers are now paid, or to such collectors as the said Board of Canal Commissioners may hereafter designate.

To stock the road with first class, substantial, safe, and commodious passenger ears, subject to the examination and approval of the present Board of Canal Commissioners, before said cars are placed on the road.

To remove immediately from the road, any ear which the Board of Canal Commissioners may at any time deem unsafe or detrimental to the interests and travel of said road.

To give bond, with approved security in the sum of Fifty Thousand Dollars, for the true and faithful performance of this agreement on their part.

That the said party of the first part, agree to compensate the said party of the second part, for the service hereinbefore recited to be performed, as follows:

For each and every passenger carried by them over the Rail Road aforesaid, the sum of five mills per mile.

For each and every Emigrant passenger, two and one half mills per mile.

For carrying the United States Mail, to cover the expenses of that service hereinbefore recited—one fifth of the toll charged by the Commonwealth, for carrying said mail over the Rail Road aforesaid.

That no toll shall be charged the party of the second part on passenger, baggage or mail ears, whether loaded or empty.

That passengers shall be received and delivered at the terminus of the road, at West Philadelphia.

That the Board of Canal Commissioners, whenever they appropriate to the use of the Commonwealth, any of the ground on the line of the Rail Road aforesaid in West Philadelphia, shall set apart for the use of the said party of the second part, a lot of sufficient capacity whereon to erect a car house, and reception rooms for passengers; provided the said party of the second part, shall agree to pay a fair and reasonable compensation for the use of such lot. That it is expressly understood, that this article of agreement gives to the party of the second part, the exclusive right of carrying all the passengers over the Rail Road aforesaid, except those before recited, as being now carried by the West Chester Rail Road Company, and by market ears.

That this article shall be and continue in force, for the term of four years, commencing on the first day of July, A. D., One Thousand Eight Hundred and fifty-two.

Witness, our hands and seals, this nineteenth day of May, One Thousand Eight Hundred and fifty-two.

JOHN A. GAMBLE, [L. s.]

WM. T. MORISON, [L. s.]

SETH CLOVER, [L. s.]

JOHN BINGHAM, [L. s.]

J. DOCK, [L. s.]

Signed, sealed and delivered in the presence of
THOMAS M. DAVIS,
THOMAS L. WILSON.

Contracts with Penn'a. Rail Road Co.

Articles of agreement between the Board of Canal Commissioners, and the Pennsylvania Rail Road Company, entered into on the 24th day of April, 1851.

The Canal Commissioners agree to sell, and the Pennsylvania Rail Road Company agree to purchase four passenger cars; the best now in use upon the Allegheny Portage Rail Road, at the stipulated price of sixty-seven hundred dollars.

The Canal Commissioners agree to continue the rates of fare, as now fixed, viz: 1.25-100 dollars for each through passenger, between Philadelphia and Pittsburg, 1.50-100 dollars for each passenger between the Portage Intersection and Johnstown; and 4 cents per mile, for way passengers—and the Pennsylvania Rail Road Company agree to pay to the Commonwealth in lieu of toll, wheel toll, and all other charges, the sum of

one dollar for each through passenger, and the same sum for every 36 miles, run by way passengers upon said Portage Rail Road. This arrangement to continue in force as long as the Company shall use the whole of the Allegheny Portage road for the transportation of passengers.

In witness whereof, the President of the Canal Board, and WM. T. MORISON, Esq., a member thereof, on the one part, and WM. C. PATTERSON, President of the Pennsylvania Rail Road Company, have interchangeably affixed their hands and seals, at Philadelphia, on this 24th day of April, in the year of Our Lord, One Thousand Eight Hundred and Fifty-one.

ISRAEL PAINTER,

W. T. MORISON,

W. C. PATTERSON,

[Mr. GAMBLE approved this contract on the 23d day of May, 1851.]

Memorandum of agreement made and entered into at Harrisburg, on the 23d of May, A. D., 1851, between the Board of Canal Commissioners, and the Pennsylvania Rail Road Company. The Canal Commissioners agree to sell, and the Pennsylvania Rail Road Company agree to purchase the Emigrant passenger cars, belonging to the Commonwealth, now in use upon the Allegheny Portage Rail Road, at their cash value, to be fixed by F. R. WEST, and H. HAUPT, Esqrs.; who shall in the event of their disagreement, have power to call in an arbiter, whose decision shall be final. And the Pennsylvania Rail Road Company, further agree to transport from the Portage Intersection to Johnstown, or vice versa, at a charge of 50 cts. per head, all Emigrant passengers, for whom under existing arrangement, with other parties, the Commonwealth is bound to furnish transportation, and to pay for each passenger so carried, the sum of forty cents, in lieu of motive power, tolls and all other charges on the part of the Commonwealth.

In witness whereof, the Canal Commissioner on behalf of the Commonwealth, and WILLIAM C. PATTERSON, President of the Pennsylvania Rail Road Company, have hereto affixed their hands and seals, the day and year first within written.

W. C. PATTERSON, [L. s.]

ISRAEL PAINTER, [L. s.]

JOHN A. GAMBLE, [L. s.]

WM. T. MORISON, [L. s.]

Signed and delivered in presence of
THOMAS L. WILSON,
A. L. ROUMFORT.

[The following letter from the Canal Board to the Legislature is here inserted as corroborative evidence of the truth of positions taken in the foregoing.]

CANAL COMMISSIONER'S OFFICE }
Harrisburg, April 12, 1852. }

J. EDGAR THOMSON, ESQ.,

President of the Pennsylvania Railroad Co.

SIR:—Your communication of the third instant, submitting certain propositions as a basis of an arrangement between the State and your company, for the transportation of freight and passengers over the Philadelphia and Columbia and Allegheny Portage railroads, has received that deliberate and anxious consideration which its importance seemed to demand. The board highly appreciate the anxious solicitude for the future welfare of the State, and the reduction of the public debt, which constrained your company to the submission of these suggestions, and only regret that they can see in them no measures calculated to accomplish the desirable end which they seem to have so much at heart. The substance of your proposition is, that the State shall abandon the Allegheny Portage railroad, and give to your company the control of that link of the public works, and, also, the right to regulate the toll for conveying your passengers over the Philadelphia and Columbia railroad. The board will not do you the injustice to presume that you are ignorant of the fact, that the Canal Commissioners have no power, under existing laws, to adopt your suggestions, and are, therefore, forced to conclude that your only motive in thus addressing them, is to obtain their views of your propositions as a question of policy for the State, should the Legislature see proper to embrace your ideas. You propose:

1st. The Pennsylvania railroad company to haul over the Allegheny mountains, between Hollidaysburg and Johnstown, after the canal navigation opens in 1854, all freights in cars of transporters doing business on the state canals for one dollar and twenty-five cents per ton (exclusive of State tax on tonnage) for the whole distance between these places.

2. The state to haul all freight passing over the Columbia railroad in cars of the Pennsylvania railroad company, at not exceeding two cents per ton per mile, including road, motive power, and wheel tolls and passengers at the rates charged by said Pennsylvania railroad company for similar travel over their road, with a deduction of twenty per cent for the use of cars and transportation expenses, for first-class passengers, and thirty-

three and one third per cent for emigrant and other travel.

Before proceeding to notice these propositions in detail, it may be remarked that the board of canal commissioners should regard the abandonment of the Allegheny Portage road as a measure fraught with the most injurious consequences to the state. The main line of our improvements would thus be severed into two grand divisions, and the intermediate link be placed in the hands of a company owning a rival improvement, and thereby subject all the tonnage on it to be drawn off at this point of transshipment. It will be readily perceived that even a slight neglect or delay in the transportation of the freights of the state, on this part of your road, would force all tonnage to embrace your improvement at its extremities, and thus entirely prostrate the state improvements.—To conclude that your company would not give special attention to the transportation of their own tonnage, and neglect, if neglect be necessary, those of its competitors, would be to discard the lights which are furnished by the experience of the past. The board are admonished by the terms of your annual report, of the importance of guarding the interests of the main line of the state improvements, against the competition and encroachments of the Pennsylvania railroad. They are not prepared, however, under the most unfavorable view that can reasonably be taken of the present condition of affairs to anticipate the entire prostration of this great work.

The avoidance of the inclined planes on the mountain division, will, in their opinion, give it the capacity to compete with all its rivals, foreign and domestic.

The consummation of the proposed arrangement would, the board are free to admit, go far toward producing a verification of the predictions promulgated in certain quarters, of approaching destruction to the main line of the state works.

In a financial point of view the board regard your propositions as entirely inadmissible. You propose to charge the State, on all maximum freights of transporters doing business on the Canals, and passing over your road, between Hollidaysburg and Johnstown, \$1 25 per ton, exclusive of state tax. This exemption would increase the cost to the state, for services to be performed, to \$1 39 4-10 per ton, being ten cents more than is now charged at column rates on the present road with its ten inclined planes. The average charge on goods transported from Philadelphia to Pittsburg is \$4 46 per ton, of which you would receive \$1 39 4-10 for 48 miles of railroad transportation, leaving the State but \$3 06 6-10 for

two hundred and seventy-six miles of canal and eighty-two miles of railroad. The difference in your favor is still greater when the practical effect is applied to heavy tonnage on which a low maximum rate is charged. Flour for instance is charged \$3 16 per ton for transportation from Pittsburgh to Philadelphia, for which you propose to charge for your 48 miles of road \$1 39 4-10, leaving the State but \$1 76 6-10 for the whole remaining distance. Beef and pork in pickle is charged at the rate of \$3 46 per ton, and your charge of \$1 39 4-10 would leave for the State but \$2 06 6-10. The difference in your favor on coal would be still greater than on the articles already enumerated.

You propose farther, to pay the State two cents per ton per mile for road, motive power and wheel toll on your freight passing over the Philadelphia and Columbia railroad. The present average charge is 2 cent 3-4 tenths mills per ton per mile, being 3-4 tenths mills per ton per mile more than you now propose to pay, exclusive of the toll on ears returning empty. It is apparent, therefore, that on an amount of your tonnage, equal to the whole tonnage passed over said road for last year, the loss to the Commonwealth would be \$72,809 76 on tonnage and \$35,650 86 on empty ears. Nor would the loss stop here. The deduction made to you would, as a matter of course, be extended to all other parties doing business on the road.

As to your proposition to regulate the charges for the transportation of passengers, the board are decidedly of opinion that it should not be adopted by the State. It fixes no definite rate, but makes the amount to be received by the Commonwealth, dependent upon the rates of fare which your company may see proper to charge from time to time.

The only alteration which the board would be willing to make in the present mode of charging tolls on passengers would be to fix a rate per passenger, including wheel toll on the ears.

Entertaining these views, and with the preceding facts before them, the board cannot resist the conclusion that your propositions, as a whole, are calculated to advance your interests at the expense of the State. They do not doubt of the sincerity of your company in making these propositions, with "a view of removing the necessity for the construction of the additional road" over the mountain, nor can they withhold an expression of the desire they entertain to co-operate with your company in every measure calculated to promote the welfare of the State and at the same time do no injury to the Pennsylvania railroad. As an evidence of their just intentions in reference to your company, they beg through you, to submit for their consideration, the converse of their own proposition to the state, to wit: That if the Pennsylvania railroad company will abandon the construction of a road over the mountain, and make suitable connexions with the State works, the board of Canal Commissioners will bind the State so far as they have the power to do so, to pull their tonnage over the mountain, at the rate of \$1 20 per ton, being a less rate than that at which you propose to carry for the State. This difference in charge, however, is not more than equal to the difference in favor of the grade on the State work. The board would much prefer this arrangement, because it would leave the main line of the public works unbroken, and maintain its management within the control of the State.

Very respectfully yours, &c.,

JOHN A. GAMBLE, President.

